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Following is an address submitted to the annual conference of the Atomic Industrial Forum in San Francisco, California, by James L. Malone, Assistant Secretary for Oceans and International Environmental and Scientific Affairs, on December 1, 1981.

Today I would like to review for you the progress of the Administration's nuclear cooperation and nonproliferation policy since President Reagan's July 16 general statement on this subject. I know that most of you are familiar with that document and have followed closely the speeches and policy statements of other Administration representatives over the past several months. Therefore, I felt that, after some brief general comments on the principles that are guiding our approach, it would probably be most useful at this point for you to have a preliminary report on a number of the specific cases with which we have been dealing and to hear how the Administration believes each individual case fits into its overall policy framework.

The past year has been an exciting time for those of us who have been involved in the evolution of a new American strategy on nuclear cooperation and nonproliferation. One result of our efforts has been the initiation of a heightened level of exchange between nuclear industry and the government. This is something that we will need to pursue and strengthen from both sides. For our part, we recognize that national and world public opinion about our policies will make a decisive contribution to their success or failure. Public judgment will be formed in the first instance by a process of debate and discussion among those, like you, who have a special knowledge of, and involvement in, these issues. And we also recognize that, for the success of its decision-making process, the nuclear industry of the United States must be confident that it has a solid understanding of the direction of its government's nuclear policies.

Principles Guiding U.S. Approach

At the outset I want to lay to rest one possible misperception, entertained in some quarters, of the bottom line on U.S. nonproliferation policy. It is, of course, true that we intend to enhance the international competitiveness of U.S. nuclear exports by all appropriate means. Assisting U.S. firms to compete on a more equal, nondiscriminatory basis with nuclear suppliers from other countries in meeting peaceful nuclear power needs is not only a legitimate activity of any U.S. administration, it is one to which the present occupant of the White House has directed the urgent attention of the several agencies involved.

It is also true that, in contrast to the uniform approach that held sway previously, our approach will be a more differentiated one. It was, perhaps, natural that over the years there arose a tendency in U.S. nonproliferation and nuclear export policy to seek to treat all customers alike and to expect that the inflexible and nondiscriminatory rule of law that guides our affairs at home could

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somehow be universally applied to regulate our decisions on nuclear exports. Of course, in the real world, it turns out that potential customers for our nuclear exports are characterized by an extreme disparity in their nonproliferation merit and run the gamut from those countries whose sense of responsibility on this issue is no less than our own to those with whom we could not consider nuclear cooperation at all. It is precisely this diversity that our new policy is designed to recognize in full.

However, it is most definitely not true—and this is a point to which I particularly want to draw your attention—that the Reagan Administration is less concerned than its predecessors about the threat of nuclear proliferation. There is no more terrifying prospect than that nuclear arms might one day be in the hands of a government that would seek its desperate ends by using them. The imperatives of our own security on this score are self-evident: For the United States there is no alternative to a full commitment to preventing the further spread of nuclear weapons.

In our bilateral discussions on matters of nuclear commerce and nonproliferation—which I will examine in more detail shortly—it has been clear to our counterparts from other countries that the Reagan Administration's orientation on this critical issue extends forward the straight line of American policy concern that goes back to the beginning of the atomic age. In our confidential diplomatic exchanges, the concrete direction of our policy is necessarily more fully and candidly revealed than in public statements by government officials. It should be evident to those who keep a close watch on the public results of such meetings and who can read carefully between the lines that there is no indication from this quarter that the United States may be dropping its guard or relaxing its concern about the need to avert nuclear proliferation. Quite the contrary.

While our concern is in no way diminished, our approach, as you know, has been significantly altered in several regards. A few moments ago, I mentioned our intention to reestablish the competitiveness of American nuclear exports. Maintaining the economic health of this major industry is in itself a very important objective, both for the domestic energy role the industry must be in a position to play over the next decades and for the overall contribution we need it to make to the economy with regard to jobs and our balance of trade.

But the really decisive consideration is the fact that, in order to influence the development of nuclear energy around the world, in order to insure that that development is proliferation safe, we must be a leading participant in it. If we are not, not only do we risk the progressive atrophy of this country's technological capabilities, the loss of jobs at home and the weakening of our payments position, we also risk that countries will go their own ways in matters of nuclear development to the detriment of our nonproliferation objectives. U.S. leadership has played a key role in raising international awareness about nuclear proliferation and in helping to create a system that is able to give governments a real measure of confidence that their neighbors are not building nuclear weapons. It is important to realize that the critical factor in enabling the United States to make such a contribution has not in the first instance been the correctness of our position but rather the influence we were able to muster by virtue of our role as a technology and trade leader in international nuclear commerce.

Unfortunately, there is a recurring tendency to turn away from the complex and difficult burdens of involvement—to adopt an above-the-battle stance in which the United States is more concerned with insuring that its own hands are clean than with coping with the threat of proliferation as it exists in an often messy and complex world—but in the long run we have inevitably found such an attitude to be unrealistic. The Reagan Administration's nuclear export policy is a return to realism.

With the foregoing description of our policy's conceptual basis in mind, I would now like to turn to a review of several of the specific country-related issues that have been prominent on our agenda over the past months.

Country-Related Issues

Japan. A number of years ago the Japanese—with an eye, no doubt, to their future energy security and in keeping with their desire to be in the forefront of technological development—decided to construct a pilot-scale nuclear reprocessing plant at Tokai-Mura. However, before completion of the plant, U.S. views concerning the reprocessing of spent nuclear fuel had undergone significant change. In 1977, as the Tokai reprocessing facility was ready to start operation, the United States was engaged in a full-scale effort to discourage reprocessing worldwide. Just at that time the Japanese were seeking U.S. consent, in accordance with our agreement for cooperation, to reprocess U.S.-origin spent fuel in their new facility.

The result was a sharp disagreement between the two governments. At one point, the then Prime Minister of Japan characterized the Tokai-Mura issue as the most disturbing element in U.S.-Japanese relations. But, given the overall closeness of U.S.-Japanese interests and the strength of Japan's nonproliferation credentials, a compromise was ultimately reached that allowed Japan to process up to 99 metric tons of U.S.-origin spent fuel over a 2-year period. This agreement was subsequently extended and augmented to permit operation of the plant through the end of October of this year. The Tokai-Mura issue was thus one of the first that the new Administration had to face.

In July the President announced that the United States would not seek to inhibit reprocessing of spent reactor fuel in countries with advanced nuclear power programs and where it did not create a proliferation risk. With the President's new policy in mind, we were able to negotiate a new arrangement with the Japanese before the end of October. It will enable Japan to operate the Tokai facility through the end of 1984 and to reprocess U.S.-origin spent fuel up to the annual design capacity of the plant.

Japan's impeccable nonproliferation credentials and the special contribution it has made, in cooperation with the International Atomic Energy Agency (IAEA), to developing new techniques and instrumentation to advance the safeguardability of reprocessing plants make it clear that Japan meets the standards set forth by President Reagan. The arrangements we reached with Japan take full account of our proliferation concerns while at the same time demonstrating that the United States will be a reliable partner in its nuclear commerce with nations which include our most valued friends and allies.

Switzerland. One of the most important and illustrative developments of the past several months was the decision to approve two pending Swiss requests to retransfer a total of approximately 40 metric tons of spent fuel for reprocessing in France. The handling of these "subsequent arrangement" cases is not only indicative of our announced intention to approve requests like these from Switzerland but also of our commitment to act expeditiously so that our trading partners will be able to make reliable long-term plans and projections.

In this context, where we are endeavoring to reestablish an American reputation as a predictable and punctual contractual partner, we have begun to see signs of renewed interest on a governmental level in nuclear cooperation with the United States. With **Sweden**, for example, we hope soon to move to reopen discussions on exploring a basis for amending the nuclear cooperation agreement between the two countries. And we expect shortly to sign and then submit for congressional consideration the draft of a similar agreement that the United States and **Norway** have initialed.

Mexico. As you know, Mexico is currently making great strides in economic development and is playing an increasingly important role in this hemisphere and in the world, especially with regard to international trade and energy. In agriculture, for example, our two countries provide each other with significant quantities of a number of products to the considerable benefit of our respective populations. We look ahead to the continued development of the Mexican economy both as an expanded market for American products and as a supplier of a range of imports to the United States.

It seems to me that U.S.-Mexican relations are currently on a particularly good footing and are based on a realistic respect for each other's accomplishments and interests. The close personal relationship between President Reagan and President Lopez Portillo has been a major element in our improved relationship.

Last week Secretary Haig was in Mexico for talks on a range of bilateral topics. The discussions, which included matters of nuclear cooperation, concerned ways in which the United States and Mexico could work together to maximize the benefit which we both draw from the especially close relationship of our two countries.

In nuclear matters, Mexico has established a solid cadre of scientists and technicians and maintains very high academic and research standards in the nuclear field. Moreover, the Mexican Government has made a farsighted decision to invest a portion of the revenues from its abundant petroleum resources in the long-range development of nuclear power.

For our part, we hope to be able to work together with the Mexicans to find ways to expand cooperation between our countries in the peaceful uses of the atom. And given this Administration's commitment to domestic energy independence, to removing impediments to the long-term expansion of nuclear power, and to encouraging the general health of the U.S. reactor industry, I believe that the United States will be perceived as an attractive partner for cooperative programs that will stretch out to the end of this century. No foreign customer of ours is likely to face a situation some years down the road in which he ends up bearing the expense of subsidizing a nuclear industry whose modest domestic market has, in the meantime, largely dried up. In short, there today is ground for optimism that the United States and Mexico can look forward to a significant level of commerce in nuclear technology as well as in more traditional areas of trade.

During his visit there last week, Secretary Haig deposited our instrument of ratification of Protocol I of the Treaty of Tlatelolco—a step which had been long awaited by the Mexicans and other Latin American governments. Our ratification had been unanimously approved by the Senate in accordance with the request the President made in his July 16 statement. This action was a token of the deep interest we share with Mexico in keeping the region free from nuclear armaments.

Mexico has made a strong commitment to the cause of nonproliferation. We have now made an equally strong commitment to reestablishing the United States as an attractive and reliable competitor in this field and there thus seems to be no reason to prevent our reaching mutually satisfactory arrangements with the Mexicans that would allow U.S. firms a fair chance at participation in the Mexican program.

Although companies from a number of other countries are also interested in a share in the Mexican nuclear energy undertakings, a U.S. Government team in which I am participating will shortly be in Mexico to discuss nuclear cooperation matters. We will be able to present a strong brief in favor of U.S. involvement, for with its unequaled academic, research, and industrial resources in the nuclear area, and its government's comprehensive commitment to support of nuclear export initiatives like this one, I think the United States will be in a position to compete aggressively.

Brazil. The case of Brazil casts an informative light on the dynamics of the flexible approach we have adopted in such circumstances. Our objective has been to keep options open on both sides as we attempt to find equitable arrangements that would serve our nonproliferation goals while establishing a framework that would permit nuclear cooperation between the two nations.

The United States and Brazil entered into a bilateral agreement for peaceful nuclear cooperation in 1972. Brazil subsequently contracted with Westinghouse for the construction of its first power reactor, Angra I, and with the Atomic Energy Commission (more recently the Department of Energy) for enrichment of fuel for that reactor. A provision of the enrichment services contract called for a financial penalty if Brazil were to turn to another source for enrichment during the life of the contract.

In 1979 Brazil applied for an export license for the first fuel reload for Angra. Since then that license has remained pending while the two governments have been discussing the application of several export criteria established by the Nuclear Nonproliferation Act of 1978 and, in particular, the requirement that IAEA safeguards be maintained on all Brazilian nuclear activities.

The requirements of the Nuclear Nonproliferation Act were clearly intended in the first place to insure that exported U.S. materials were not misused and, beyond that, to encourage those who might want our exports to accede to a wide-reaching nonproliferation commitment. In other words, withholding of U.S. nuclear materials, equipment, and technology was intended as a lever to move other nations in our desired nuclear nonproliferation directions. But there is something important to keep in mind with regard to any leverage tool, especially when dealing with other sovereign nations: In order to use it effectively, you must know its limits.

For example, I have never been convinced that it is possible to reach a satisfactory conclusion to a process of negotiation with another country if you try to back the other party publicly against a wall. This is not to say that it is not proper for the United States to specify conditions for its exports. But it is to say that our export policy can be only one, ancillary inducement; there must be additional, publicly palatable reasons for a country's decision.

Given Brazil's need for fuel reload material on a timely basis to avoid interruption in the Angra reactor's operation and Brazil's reluctance, so far, to provide safeguards assurances beyond the scope of the 1972 bilateral agreement, it

became evident that it would not be possible in the available time to resolve the complex safeguards issue and other aspects of our statutory requirements. At the same time it was judged that further efforts on both sides offered a worthwhile chance that agreement could eventually be reached between the two sides.

Under these circumstances the Department of State recommended that the prospects of reconciling the positions of the two parties would be best served by preservation of a nonconfrontational environment for our ongoing talks and that, therefore, Brazil should be permitted to obtain elsewhere the single fuel load now needed for Angra I without liability for the termination changes that the contract would otherwise have required. This decision was conveyed to the Government of Brazil by Vice President Bush during his recent visit there. We feel that it has created conditions conducive to continuation of good faith discussions between the two countries about the conditions under which a mutually beneficial and enduring nuclear supply relationship could proceed.

We have been guided in this situation by the need to be flexible in pursuit of our nonproliferation goals and by the conclusion that, in the final analysis, the real incentives for a country like Brazil to accede to a full-scope safeguards regime are likely to be similar to those that would apply to any nation in these concrete circumstances: a recognition that halting the spread of nuclear explosives and the preservation of Latin America as a nuclear-free region are squarely in Brazil's own national interests.

Egypt. The recent conclusion of an agreement for nuclear cooperation between Egypt and the United States is important for two reasons. First, it will open the door to participation by American firms in the plans of the Egyptian Government for peaceful nuclear development. The United States has a serious and long-term commitment to the economic development of Egypt. Therefore, we welcome the opportunity to extend our field of cooperative activity there to the development of the civilian uses of nuclear energy. We recognize that nuclear suppliers from other countries will also be competing for a share in Egypt's program, but I am confident that with regard to price, technological quality, and financial terms, U.S. companies will be in a position to make an attractive offer.

Second, and perhaps even more important, is the fact that this agreement for cooperation with Egypt demonstrates that the strictest nonproliferation arrangements can be adequately accommodated in an agreement that also provides fully for peaceful nuclear development. The example set by the United States and Egypt in this regard could be extremely important as a model for relations with other countries in this region and beyond. In this, as well as in other matters having significant implications for peace in the Middle East, the leadership of Egypt has again demonstrated its considerable sense of responsibility.

South Africa. The issue of fuel supply for the French-built reactors at Koeberg in South Africa has been much in the press lately. (In this connection, I was recently reminded that we often hear what we are predisposed to hear: Someone, apparently ready to believe the worst about the South African nuclear situation, was quoting the State Department Spokesman and printed it as "South Africa's *covert* reactors, instead of Koeberg reactors.") In any event, I would like to briefly review the South African case and bring you up to date on it.

Since 1974 the United States has had a contract to provide enrichment services for the Koeberg fuel, beginning this year. However, since 1975, the United States has not authorized nuclear fuel exports to South Africa.

The consistent U.S. position—and it is one that the Reagan Administration has reiterated—has been that the United States would not be able to engage in nuclear cooperation with South Africa unless that country adhered to the Nuclear Nonproliferation Treaty and accepted international safeguards on all its nuclear facilities.

Our objective has been to encourage South Africa to make a comprehensive nonproliferation commitment. Such a development would not only serve our overall, worldwide nonproliferation goals, it would have a specific impact in Africa. The United States believes that the international safeguards system of the IAEA provides the best available means for furnishing verifiable assurance that a country's nuclear activities are not being directed to weapons purposes. Bringing South Africa into such a system would make a real contribution to regional stability and the cause of nonproliferation.

Our policy in southern Africa is designed, both with regard to regional issues like Namibia and issues like the nuclear one, to work toward solutions that will defuse tensions on all sides and lead to a more relaxed perception for all parties that their long-term national interests are secure.

As part of our efforts, within the past several months the United States and South Africa have exchanged visits of working-level technical teams who have carried out an in-depth investigation of the application of safeguards to enrichment plants. This question has been a critical one since the objection to comprehensive international safeguards that has been most frequently put forward by the South Africans has been that the inspection process would pose a danger to the commercial integrity of their indigenously developed enrichment process. Though the future of our overall relationship in nuclear cooperation matters still remains unresolved at this point, good progress has been made on this question of safeguarding enrichment plants, and the United States certainly remains ready to proceed in good faith to work to resolve remaining problems.

Pakistan. The case of Pakistan touches closely on our nonproliferation policy, although the United States, of course, does not engage in nuclear cooperation with that country. As you know, the United States terminated all assistance, military and economic, to this long-time ally as a result of Pakistan's nuclear program—a program that was intended to put that country in position to develop nuclear explosives. However, our aid cutoff pursuant to the Symington amendment did not have the intended result of dissuading Pakistan from its pursuit of a nuclear weapons option.

But for the unprovoked Soviet aggression in Afghanistan, matters might have continued as they were, with Pakistan proceeding toward the testing of a nuclear device and our two countries fundamentally estranged over the issue. However, 2 years ago at the time of the Soviet invasion, it was immediately recognized that the situation had been fundamentally altered. It became necessary to attempt to address Pakistan's legitimate and urgent security concerns, most directly by assisting it to improve its conventional military capabilities. Those who argue that, in any event, Pakistan could never hope to counter a Soviet move against it, forget the lesson of Yugoslavia or, for that

matter, the lesson of Switzerland in World War II. They also ignore the profound implications for our security of a Soviet attack on still another nation in this vital region of the world.

With this in mind the Reagan Administration moved decisively to work out an assistance package with the Government of Pakistan. We believe that this assistance—which is in the strategic interest of the United States—will make a significant contribution to the well-being and security of Pakistan and that it will be recognized as such by that government. We also believe that, for this reason, it offers the best prospect of deterring the Pakistanis from proceeding with the testing or acquisition of nuclear explosives. For we have left the Pakistanis in no doubt that such a move on their part would necessarily and fundamentally alter the premises of our new security relationship with them.

Australia. As many of you know, for some years Australia has been considering the acquisition of a uranium enrichment capability that would enable that country to take better advantage of its abundant natural uranium deposits. Australia is also a close friend and longstanding ally of the United States and has superb nuclear nonproliferation credentials. In fact, Australia has played an important role in international efforts to prevent the spread of nuclear weapons and has a very strict nuclear export policy. A number of advanced nuclear supplier countries are actively pursuing participation in this project which would, of course, involve sharing their enrichment technology with Australia.

In this context and after extensive study, the United States last month made a decision to offer U.S. enrichment technology to Australia if suitable arrangements can be worked out between us. It should be noted that any transfer of U.S. technology under such a program would naturally be subject to U.S. statutory requirements and safeguards and would be consistent with our overall nonproliferation policy.

While questions like the Australian one are examined on a case-by-case basis and should not be taken as setting a precedent applicable to other instances, it is nevertheless worth pointing out that to have foreclosed the opportunity to cooperate with Australia would not only have risked the general alienation of one of our closest friends and allies, it would also have tended to diminish our influence and ability to work together with the Australians on matters of nuclear proliferation concern.

Conclusion

Time will tell whether our action on Australia and in the other examples I have just presented will have borne fruit. For, even after almost a year in office, we must recognize that what we have done so far is only a beginning. Indeed, it could be argued—and here I return to some of the candor I promised—that toward its end the Carter Administration was already heading in some of the directions which we have followed. That, in fact, is entirely true—reality is an insistent teacher and eventually brings us all into line, one way or another—but I would submit that what matters is not only the isolated decision in itself but also the whole policy context in which it occurs. Often the question is not so much the direction indicated in a specific decision as the support and emphasis the decision receives from the overall orientation and consistency of an administration's policies.

In the wake of India's 1974 detonation it was understandable that the United States was impelled to impose strict controls on exports of sensitive nuclear materials, equipment, and technology. But, as I think most observers came to realize, we went too far when these restrictions extended to our closest allies and industrial partners and, as a result, we began slipping in terms of our nuclear industry's ability to compete at the international level. This is now being changed.

What has not changed is our commitment to a strict nuclear export policy when it comes to countries in unstable areas that are real proliferation risks. There is simply no alternative here, nor would we for a moment consider one.

But there is another, even more important point I have to make in this connection: At base, proliferation is a political problem. A given country, is not, in the first instance, a proliferation threat by virtue of advanced industrial and nuclear capabilities—by contrast many of the advanced industrial nations of the Organization for Economic Cooperation and Development could acquire nuclear weapons in short order if they so wished—but rather because its government has made a political decision to seek nuclear arms based on its perception of the national security situation it faces. In other words, it is not possible to address the proliferation problem exclusively in terms of seeking to restrict a potential proliferator's capabilities; there are just too many nations that, given the political will, can hardly be prevented from acquiring the necessary technological and industrial wherewithal in the long run.

So, while we will continue to follow a most restrictive export policy toward potential proliferators, we must add to that a realistic pursuit of similar restraint on the part of other nuclear supplier nations and, above all, a determination to address the underlying causes of insecurity that may motivate some nations to seek a nuclear weapons option in the first place. These latter two activities are the proper task of diplomacy and will inevitably require the patience and persistence to apply a strategy that is nonconfrontational, flexible, and often indirect in its means but uncompromising in its objective. ■

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